

# Exemption and Deferral Presentation



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# Types of Programs

## Exemptions

- ❖ Decrease in taxes owed
- ❖ Must be applied for annually
- ❖ Come out of the Assessors Overlay Account



## Deferrals

- ❖ Temporary postponement of tax payment
- ❖ Payment is due upon the demise of Owner or Sale of Property
- ❖ Revenue Neutral - do not come out of the Overlay

# Exemption Basics

- ❖ Exemption programs have specific qualifications that must be met. Exemption qualifications are established by M. G. L., and administered on a local level.
- ❖ Exempt status is determined as of July 1<sup>st</sup> for the Fiscal Year
- ❖ Qualifications can include financial and residency requirements, along with documentation of blindness, or war related disabilities.

# Exemption Basics (cont.)

- ❖ Local Acceptance Options permitted by M.G.L. allow us to offer additional tax relief. Must be voted by City Council or Town Meeting
- ❖ Applications **MUST** be on DOR Approved application form, and filed Annually with the Board of Assessors by April 1<sup>st</sup>, or 3 months after the actual bills are issued (whichever is later)

# Exemption Basics (cont.)

## What is whole estate for Asset Limitations?

- ❖ This includes Checking and Savings Accounts, CD's, IRA's, 401K's Money Market Certificates, Annuities, Stocks, Bonds, and Boats etc.
- ❖ Also includes any Real Estate over 3 units and/or Second Homes, or vacant land

\*\*\*\*The value of the applicant's cemetery plots, registered motor vehicles, wearing apparel and household furniture and effects located in the domicile are not included

# What is Public Record

- ❖ Exemption Applications and Documentation submitted are not public record, and can be viewed only by Taxpayers and their personal representatives, Assessors and staff, DOR and other local Officials in the performance of their official duties, and designated private Auditors.
- ❖ The Exemption record book which identifies the taxpayers granted exemptions and the exemption amount is public record.

# Special Ownership Interests

Life Estate – Applicants who hold a life estate in a property are considered the owners for property tax purposes

Trusts – Applicants must hold a legal ownership interest (trustee) and sufficient beneficial interest (beneficiary) in the trust to be considered an owner

# Good Practices

- ❖ Applicants should be requested to supply reasonable documentation to establish their qualifications for an exemption including:
  - ❖ Birth Certificates/Death Certificates for spouses
  - ❖ Bank and investment statements as of July 1 to verify assets
  - ❖ 1099's and 1099R forms and W-2's to verify income
  - ❖ Copies of Trusts and their Beneficiary schedules to verify ownership



# Good Practices (cont.)



- ❖ Documentation continued:
  - ❖ Certificate from Commissioner of the Blind **annually** for Chapter 37 & 37A exemption
  - ❖ DD214 and letter from Veterans Administration showing their percent of disability for first time filers for Veterans Exemptions
  - ❖ Annual updated disability letter for 22E Veterans
  - ❖ Always ask the spouse of a deceased Veteran to verify if that Veteran died from a service related disability. They many be unaware that they qualify for a full exemption.

# Good Practices (cont.)

In order to protect the privacy of applicants for exemptions the Board of Assessor's should go into Executive Session prior to reviewing applications for Exemptions and Abatements

The resulting Executive Session minutes are protected from public disclosure. Only the final resulting exemption or deferral becomes part of the public record



# 41, 41B, 41C & 41 C ½ Exemptions

- ❖ Requires that an applicant meets both income and asset limitations
- ❖ Applicant must be 70 by July 1 of the Fiscal Year they are applying for.
- ❖ For clause 41 - must be domiciled on July 1st.
- ❖ For 41B, C and C ½ - Applicant must have been domiciled in Mass. for 10 years, and owned/occupied the property.
- ❖ Base exemption amount is \$500.00

# Allowances for 41,41B,41C & 41C

## Income

41 – \$6,000 Single    7,000 Married

41B – \$10,000 Single    \$12,000 Married

41C – \$13,000 Single    \$15,000 Married

41C ½ – Established by Circuit Breaker

## Assets

41 – \$17,000 Single    \$20,000 Married

41B – \$20,000 Single    \$23,000 Married

41C – \$28,000 Single    \$30,000 Married

41C ½ – No Limit



# Local Acceptance Options 41C

- ❖ Reduce eligibility age to 65
- ❖ Increase exemption amount by up to 100%
- ❖ Increase gross receipts limit up to \$20,000 single and \$30,000 married
- ❖ Increase whole estate limit up to \$40,000 single and \$55,000 married
- ❖ Exclude value of up to 4 family home from whole estate

# 17 – 17D Exemptions

- ❖ Seniors over 70
- ❖ Surviving Spouses (Widows / Widowers) of any age
- ❖ Minor child with a deceased parent
- ❖ Base amount is \$175.00

# 17 D Qualifications

- ❖ Must have owned and occupied the property as domicile for 5 years
- ❖ Must meet Whole Estate qualifications, but there are no earned income limitations for this exemption.

# 17 Exemptions (cont.)

## Asset Limitations

- ❖ This includes Checking and Savings Accounts, CD's, IRA's, 401K's Money Market Certificates, Annuities, Stocks, Bonds, and Boats etc.
- ❖ Also includes any Real Estate over 3 units and/or Second Homes, or vacant land.



# Local Acceptance Options for 17D

- ❖ Whole Estate Limit can be adjusted by COLA annually
- ❖ Exemption Amount can be adjusted annually by a COLA

# Exemption for the Blind (Cl. 37 & 37A)



- ❖ Exemption amount is \$500.00
- ❖ Requires an annual certificate of eligibility from the Commission for the Blind.
- ❖ Must be a legal resident of the Commonwealth and occupy the property as their domicile as of July 1<sup>st</sup> of the fiscal year.
- ❖ Property can be owned jointly or in common with others.

# Disabled Veterans (Clause 22)

- ❖ Must have Certification of Veterans eligibility from the Veterans Administration.
- ❖ Must be domiciled in MA for 6 months before entering service or 5 years before application. (Can be reduced to 1 year by local acceptance)
- ❖ The amount of the exemption varies by the percentage of disability that is certified, or also the Veterans ability to work, and qualification for special housing.



# Clause 42 and 43

- ❖ Exemption is for Surviving Spouses (clause 42) and Minor Children (clause 43) of Firefighters and Police Officers killed in the line of duty:
  - ❖ This is a full exemption from real estate taxes
  - ❖ Applicants must not have remarried
  - ❖ Must occupy as their domicile
  - ❖ If owned jointly the exemption is based on the percentage of ownership



# Clause 56 (Local Acceptance only)

- ❖ This is a local acceptance by vote of City Council or Town Meeting
  - ❖ Must be a Massachusetts National Guardsman or Reservist that has been deployed overseas
  - ❖ Can be voted to exempt up to 100% of the taxes for the property
  - ❖ Can be for both Real Estate and Motor Vehicle Excise
  - ❖ Criteria is established by the Board of Assessors

# Doubling of Exemptions

- ❖ The governing body of a town (City Council or Town Meeting) may vote to double all exemptions.
- ❖ First year the exemption is for the statutory amount. In the succeeding years the exemption amount increases by the amount of any tax increases until it equals 100% of the original exemption.



# Hardship Exemptions

- ❖ Discretionary on the part of the Board of Assessors to determine qualification which can include:
  - ❖ Taxpayers called into active military service
  - ❖ Age
  - ❖ Infirmary or mental illness
- ❖ Assessors should develop policies and criteria to ensure taxpayers are all treated fairly and equitably

# Hardship Deferrals Clause 18A

This exemption is for taxpayers with temporary financial difficulties

- ❖ May be for partial or full amount of taxes
- ❖ May be for any number of reasons
- ❖ May be granted for a maximum period of 3 years
- ❖ Repayment is in annual installments over a five year period. (2 year grace period allowed)
- ❖ Statutory rate is 8% - may be reduced by local acceptance option.



# Hardship Deferral 41A

## For Seniors

- ❖ Must be 65 years of age, meet earnings limit of \$20,000 and provide an affidavit. (income limit can be raised by local acceptance to the limit for non-head of household qualification for circuit breaker tax credit)
- ❖ The deferral allows up to 50% of the assessed value of the property including accrued interest to be deferred over time.
- ❖ The amount of the deferral can be all of the taxes, or just a portion. Interest Accrues at 8% annually, or can be adjusted by local acceptance to a lower number.
- ❖ Any exemptions that the Senior qualifies for can still be processed prior to the deferral.

# Hardship Deferral

- ❖ Hardship deferrals require that you own the property as of July 1 of the Fiscal Year you are applying for.
- ❖ The deferral constitutes a lien on the property.
- ❖ All persons of interest must sign off including any joint owners or Mortgagee's.